

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5683-01
Bill No.: HB 1722
Subject: Education, Higher; Education, Proprietary; Fees, Boards, Commissions,
Committees, Councils
Type: Original
Date: February 20, 2012

Bill Summary: This proposal modifies provisions relating to proprietary schools.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| General Revenue* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on General Revenue Fund* | \$0 | \$0 | \$0 |

* Offsetting Savings and Loss expected to exceed \$100,000 annually

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| Proprietary School Certification Fund* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds* | \$0 | \$0 | \$0 |

* Offsetting Income and Cost expected to exceed \$100,000 annually.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Office of State Treasurer** state this proposal will have no fiscal impact on their agency.

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Corrections (DOC)** state the penalty provisions for violations, the component of the proposed legislation to have potential fiscal impact for DOC, is for a class A misdemeanor. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY11 average of \$5.12 per offender, per day or an annual cost of \$1,869 per offender).

In summary, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

ASSUMPTION (continued)

Officials from the **Department of Higher Education (DHE)** state the provisions contained in this proposed legislation would direct proprietary certification fees paid to the DHE into a designated fund in the state treasury to be used to fund the proprietary certification program. DHE anticipates that the provision would negate the need for a General Revenue appropriation to DHE for the proprietary certification program and would have no fiscal impact on the state's general revenue.

Oversight assumes the appropriation from General Revenue for proprietary schools administration was \$124, 866 in FY 11, \$137, 433 in FY 12 and \$137,433 projected for FY 13. The average annual revenue generated by the collection of certification fees for the last three years was \$146,455.

Oversight assumes the fee structure for proprietary school certification, including the increase outlined in the proposed legislation, will offset the current appropriation from General Revenue.

Responses were not received from the Office of Attorney General or the Office of Prosecution Services.

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| GENERAL REVENUE | | | |
| <u>Savings</u> - Department of Higher Education (DHE) - Appropriation for proprietary school administration costs | Expected to exceed \$100,000 | Expected to exceed \$100,000 | Expected to exceed \$100,000 |
| <u>Loss</u> - DHE - Proprietary school certification fees | (Expected to exceed \$100,000) | (Expected to exceed \$100,000) | (Expected to exceed \$100,000) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| PROPRIETARY SCHOOL CERTIFICATION FUND | | | |
| <u>Income</u> - Proprietary school fees | Expected to exceed \$100,000 | Expected to exceed \$100,000 | Expected to exceed \$100,000 |
| <u>Cost</u> - DHE - Proprietary school administration | (Expected to exceed \$100,000) | (Expected to exceed \$100,000) | (Expected to exceed \$100,000) |
| ESTIMATED NET EFFECT ON PROPRIETARY SCHOOL CERTIFICATION FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation revises the laws regarding proprietary schools. Among its main provisions, the proposal:

- (1) Increases the base fee for an annual certificate of approval from one-tenth of a cent to thirteen-tenths of a cent per \$1 of net tuition and fees income with a maximum fee of \$5,000 and a minimum fee of \$500 per school. The Coordinating Board for Higher Education may increase the base fee and the minimum and maximum amounts by administrative rule every five years, beginning in Fiscal Year 2013, to no more than the federal Consumer Price Index since the last fee increase;

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FISCAL DESCRIPTION (continued)

(2) Allows the coordinating board to establish fees through administrative rule for generating enough funding to cover the costs associated with the certification program, with the advice of the Proprietary School Advisory Committee; and,

(3) Creates the Proprietary School Certification Fund to fund the costs associated with the operation of the program.

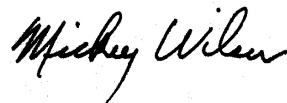
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education
Office of State Courts Administrator
Department of Corrections
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Office of State Treasurer

NOT RESPONDING

Office of Attorney General
Office of Prosecution Services



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Director
February 20, 2012